

may, at its option, void this Agreement without incurring liability of any kind to the other party.

2.3 Reports. USWC agrees to provide Owner information about subscription patterns experienced by Owner's Selected Channels delivered over USWC's Video Dial Tone Service. USWC, periodically during the course of the Trials, will prepare generic market reports (i.e., no specific reference to suppliers) for dissemination to all participants in the Trials. In addition, USWC agrees to share with Owner all relevant results of any studies conducted by USWC that pertain to the Trials as they relate to Owner's Selected Channels, as well as the overall results and findings of the Trials, and further agrees to allow Owner to make suggestions and contribute to the direction of ongoing research and analysis. USWC is under no obligation to adhere to such suggestions and contributions.

2.4 Audit. Owner shall have the right, upon reasonable written notice and during normal business hours, to inspect and copy the books and records of USWC twice each calendar year pertaining solely to the Transmission of Owner's Selected Channels over USWC's Video Dial Tone Service and to payments from Subscribers received by USWC and amounts payable by Subscribers with respect to Owner's Selected Channels. Such books and records shall be maintained at all times throughout the Trials and for two (2) years thereafter.

2.5 Exclusivity. Subject to Regulatory Approval, USWC agrees to furnish Network and Gateway Services in connection with USWC's Video Dial Tone Service to a basic and pay cable provider hereunder only to Owner; provided, however, if any other Owner seeks to provide its Selected Channels over USWC's common carrier video dial tone transmission service, Owner understands and acknowledges that USWC may not refuse to serve such other Owner. Owner agrees to make available Channels within the Territory only through the use of USWC's Network and Gateway Services for the duration of the Trials.

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2.6 Cooperation Regarding Billing and Collecting. USWC agrees actively to seek Owner's advice and expertise relating to billing and collection practices; provided, however, USWC shall have sole discretion to establish USWC's billing and collection procedures under this Agreement.

3. PARTICIPATION IN TECHNICAL AND MARKET TRIALS. Owner agrees to participate in USWC's Technical and Market Trial in the Territory.

3.1 Product Availability. Owner agrees for the duration of the Trials that Owner will make available to potential Subscribers potentially high usage Channels.

Owner shall, in its sole discretion, select the Channels and determine the pricing and packaging of its Selected Channels for use in the Trials, provided that at all times during the Marketing Trial, Owner agrees to provide to USWC sufficient Selected Channels to use the entire number of Channels allocated to it by USWC's common carrier Video Dial Tone Transmission Service.

Owner agrees to use its best efforts to acquire access to Selected Channels as listed in Exhibit D. Owner further agrees to provide to USWC a list of Selected Channels Owner intends to offer over USWC's Video Dial Tone Service during the Market Trial as soon as possible but in no event later than sixty (60) days after execution of this Agreement, together with written evidence that Owner has executed contracts with the suppliers of Channels on the aforesaid list.

Notwithstanding anything to the contrary in this Agreement, in the event Owner does not provide USWC with written evidence of executed contracts, as required by this Article 3.1, or other evidence of access to Channels satisfactory to USWC, USWC may, at its sole option, void this Agreement, without incurring liability of any kind to Owner, and USWC may contract with others to participate in its Trials, and Owner shall have no further liability or obligation to USWC under this Agreement.

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3.2 Pricing, Promotional Pricing. It is expressly understood and agreed that Owner shall have the sole right and obligation to select the Channels it makes available during the Trials and to set the rates to be charged to Subscribers for receiving Owner's Selected Channels. Owner may offer promotional pricing as it chooses. In the event Owner offers promotional pricing for any of its Selected Channels, Owner agrees to provide USWC a written statement of the promotional prices no later than fifteen (15) days before the effective date of the promotion. Owner acknowledges and agrees that such promotional pricing does not provide sufficient time for USWC to modify its paper program guides, including channel line-up and promotional advertising therein, and that USWC shall not be responsible, nor have any liability to Owner, for incorrect information in paper program guides due to Owner's exercise of this Article 3.2.

3.3 Marketing. Subject to Regulatory Approval, USWC will develop and execute marketing programs to stimulate subscription to Owner's Selected Channels in the Trials. USWC agrees to allow Owner to make suggestions and contribute to the direction of ongoing marketing and to allow Owner to review USWC's training program for USWC's employees engaged in promotion of Owner's Selected Channels. USWC shall have sole authority to compensate USWC's employees, and shall compensate USWC's employees, for this marketing effort, unless Owner and USWC agree otherwise. USWC and Owner further agree that an important factor in the success of the Trials is a common look and feel of the Network and Gateway Services and that USWC will have sole responsibility to approve marketing, advertising, and promotion of the Trials. (X)

3.4 Information. Owner agrees to provide USWC, at no charge, any information Owner obtains concerning the subscription and market indicators of its Selected Channels delivered on USWC's Video Dial Tone Service. Owner further agrees to allow USWC to share aggregate information relating to Owner's Channels with other providers in the Trials.

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3.5 Payments By Owner. During the Market Trial Owner agrees to pay USWC the tariffed rates for common carrier Video Dial Tone Service as set forth in USWC's Market Trial Tariff, plus an amount which, when added to the rates charged in the Market Trial Tariff, equals \$15.00 per Subscriber, per month, for the duration of the Market Trial.

3.6 Demonstrations. Owner agrees that USWC may demonstrate its Network and Gateway Services, including viewing of Owner's Selected Channels at no charge to USWC, in USWC's Video Operations Center in Omaha, Nebraska.

4. PROCEDURES REGARDING AVAILABILITY OF ITEMS OF SELECTED PRODUCT ON USWC'S VIDEO DIAL TONE SERVICE.

4.1 Notice of Availability; Withdrawal. At least 90 days in advance of the first day of each calendar month Owner shall provide the following information to USWC in writing (the "Availability Notice") with respect to any new Selected Channels or packages of Channels that Owner elects to make available to Subscribers over USWC's Video Dial Tone Service in the Territory during such month: (i) the names and a description of Selected Channels or packages; (ii) the rates to be charged to Subscribers who elect to receive such Selected Channels or packages over USWC's Video Dial Tone Service (subject to the provisions of Section 3.2 above); (iii) the Availability Period, Availability Date and End Date with respect thereto; and (iv) such other information as USWC may reasonably request. Owner may, in its sole discretion, withdraw any Selected Channel or package prior to the End Date by giving USWC written notice to withdraw such Selected Channels (a "Withdrawal Notice") if an Event of Force Majeure occurs, or if Owner determines that the Transmission thereof over USWC's Video Dial Tone Service would or might (a) infringe upon the rights of others; (b) violate any law, court order, government regulation or other ruling of any governmental agency; (c) subject Owner to any liability; or (d) cause or contribute to any pending or threatened litigation, judicial proceeding or regulatory proceeding. Upon receipt of Withdrawal Notice, USWC shall

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not thereafter Transmit such withdrawn Selected Channels. USWC agrees that the withdrawal of Selected Channels under this Section shall not be deemed to be a breach of this Agreement.

4.2 Advertising Material. At least ninety (90) days in advance of each Availability Date, Owner shall provide USWC, at Owner's sole cost and expense, the advertising or promotional materials specified on Exhibit B hereto with respect to Selected Channels listed in an Availability Notice as being available in the month commencing with the Availability Date. USWC shall have the right, on a non-exclusive, royalty-free basis, to use Owner's logos, trademarks, service marks and copyrighted materials during the Trials in USWC's guides, and in connection with USWC's promotion of the Trials. USWC may, in its sole discretion, permit Owner to use USWC's logos, trademarks, service marks, and copyrighted materials during the Trials and solely in connection with Owner's promotion of the Trials, on a non-exclusive, royalty-free basis, and only in strict accordance with USWC's guidelines for use of its logos, marks and copyrighted materials.

4.3 Delivery of Physical Properties and Selected Channels. Owner agrees to make Delivery (as defined below) of a mutually agreed upon number of Selected Channels within sixty (60) days of Owner's receipt of notice of its Channel allocation which Channels Owner intends to make available during the Technical Trial. For purposes hereof, "Delivery" shall be defined as Owner's physical delivery to USWC of all of the items set forth in the delivery schedule attached hereto as Exhibit B ("Delivery Schedule"), such items ("Physical Properties") and signals to comply with the technical specifications set forth therein and to be delivered to the person or place indicated by USWC. All costs and expenses (including, without limitation, shipping and forwarding charges and insurance) of transporting and returning the Physical Properties shall be borne by Owner.

Owner is responsible for delivery and any cost of delivery of all Selected Channels into the Omaha local access transport area (LATA) to USWC's network and gateway services headend.

Owner is responsible for providing any receiving earth stations, television antennae, and any other equipment necessary for receipt of Selected Channels; provided however, USWC will lease to Owner space on USWC's tower and on concrete pads for placement of Owner's receiving earth stations and television antennae in accordance with the real estate lease between Owner and USWC attached hereto as Exhibit E.

4.4 No Ownership. USWC shall not have any ownership of, or interest in, any Physical Property or in any Selected Channel and in no event shall any Physical Property, Selected Channel, receiving earth stations or television antennae or interest therein, or rights thereto, be treated as property of USWC. USWC's use of the Physical Properties and Selected Channels shall be expressly limited to the purposes contemplated herein.

4.5 No Cutting or Editing. USWC shall Transmit each Selected Channel over its Video Dial Tone Service only in its entirety as delivered to USWC, without any added intermissions, cuts, deletions, alterations, modifications, additions or editing of any kind, unless specifically authorized by Owner in writing.

4.6 Grant. Owner hereby grants to USWC, with respect to each Selected Channel, the limited, non-exclusive right and license under copyright to Transmit such Selected Channel over USWC's Video Dial Tone Service within the Territory during each Availability Period and to render the other Services provided under this Agreement. The rights and interests granted to USWC herein are non-exclusive, and, accordingly, they may be fully exploited and utilized by Owner, without regard to the extent to which any such rights may be competitive with USWC or the rights and interest granted hereunder. Owner reserves all copyrights, and all the other rights in the images and sound embodied in the Selected Channels. USWC acknowledges that USWC has no right in the Selected Channels or the images or sound embodied therein, other than the right to render the Services and Transmit the Selected Channels under the terms and conditions set forth in this Agreement, and that it shall make no other use, re-use or telecast of any kind or nature.

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4.7 Right to Advertise, Publicize and Promote. Subject to the provisions of this Section 4, USWC shall have the right to include in any promotional or advertising materials used to advertise and publicize the availability of Selected Channels on USWC's Video Dial Tone Service, the name of Owner and any other persons connected with the production of the Selected Channels, any trademark used in connection with such Selected Channels, but only in the same form as that contained in any advertising materials furnished to USWC by Owner pursuant to this Section 4 without Owner's prior approval so long as (i) USWC shall comply in all material respects with all written instructions furnished to USWC by Owner with respect to the use of such materials, and (ii) the same shall not be used so as to constitute an endorsement, express or implied, of any party, product or service. USWC acknowledges that its right to use the names, images or likenesses of persons performing services in connection with Selected Channels pursuant to this Section 4 may be subject to various limitations and restrictions contained in contracts with third parties. For each Selected Channel, Owner shall furnish USWC with a written statement of such limitations or restrictions and such statement may be relied upon by USWC in advertising and publicizing the availability of the Selected Channels on USWC's Video Dial Tone Service. Subject to the provisions of this Section 4, USWC shall have the right to advertise, publicize and promote the availability of a Selected Channel on USWC's Video Dial Tone Service by any means or media, except that USWC shall not transmit or authorize others to transmit any excerpts from such Selected Channels, other than previews in the form furnished to USWC by Owner, without modification, editing or other changes, unless specifically authorized by Owner in writing.

4.8 Ratings. Owner agrees that it shall not select any Channels containing X-rated or the equivalent of X-rated programming and that it will not select any Channels containing more than an incidental amount of NC-17 rated or unrated but NC-17 rated equivalent content to be Transmitted over USWC's Video Dial Tone Service during the Trials. For purposes of this Article 4.8, Owner and USWC agree that the Showtime Channel, as it is programmed as of April 1, 1994, is indicative of a

Channel that contains only an incidental amount of NC-17 or unrated but NC-17 rated equivalent content.

4.9 Limitation on Copying. USWC shall not copy, duplicate, sublicense or part with the possession of any Physical Properties or signals except as expressly permitted hereby and shall use its best efforts to prevent any loss or theft and unauthorized use by others of any Physical Properties. Owner acknowledges and agrees that USWC cannot prevent Subscribers from copying Selected Channels ordered from Owner through unauthorized use of Subscriber's VCR or other similar video recording equipment.

4.10 Beta Test Users. USWC and Owner hereby agree that in order to assure a mutually satisfactory minimum level of Subscribers to USWC's Video Dial Tone Service and viewers of Owner's Selected Channels during the Trials, USWC and Owner mutually agree to conduct a Beta Test whereby Owner shall provide certain Selected Channels over USWC's Video Dial Tone Service at no charge by either Owner to Subscribers or USWC to Owner to up to 500 potential subscribers within the Territory ("Test Homes") for a mutually agreed upon period of time before the starting of the Market Trial. Owner acknowledges and agrees that these Beta Test Users may include employees of USWC and/or USWC's affiliates. USWC and Owner further agree that any calculations made pursuant to Article 11 shall not include Beta Test Users.

4.11 Emergency Broadcast System. To the extent either party has an obligation to carry Emergency Broadcast System messages, Owner agrees to carry, or cause to be carried, such messages.

5 REPRESENTATIONS AND WARRANTIES.

Owner represents and warrants that:

5.1 Carrier Status. Owner is licensed by the Federal Communications Commission under 47 CFR 94 et seq., in the Private Operational Fixed Microwave Service. Under such authorizations, Owner

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delivers Selected Channels to receiving locations on its own account, and does not hold itself out to offer communications service to others on a for-profit, private-carrier basis. For purposes of its participation in (and for the duration of) the Trials, Owner is not a carrier in the Territory of the Trials under the Communications Act of 1934 or under the laws of any state.

5.2 Authority. Owner has the right, power and authority to Transmit each Selected Channels and all parts thereof over USWC's Video Dial Tone Service to Subscribers in the Territory during the Availability Period. Owner has the right, power and authority to enter into this Agreement and to perform its obligations hereunder.

5.3 No Breach of Third Party Rights. No Selected Channel nor any part thereof, including all of the materials incorporated therein, synchronized therewith or upon which such Selected Channel is based, nor the transmission of such Selected Channels over USWC's Video Dial Tone Service pursuant to this Agreement, nor USWC's rendering any of the Services provided for in this Agreement, violates or infringes, or will violate or infringe, upon any trademark, trade name, service mark, contract, patent, copyright (common law or statutory), literary, property, artistic, dramatic, personal, private, property or civil right of any person or entity, including any rights of privacy, any "droit morale" rights or "moral right of authors" or any Law, or any other type of rights of any person or entity whatsoever, and will not constitute a slander, libel, invasion of privacy, or defamation of any Person.

5.4 No Payments. USWC, in the performance of the Services provided for in this Agreement, will not be requested or obligated to make any payment to any third party including, without limitation, to any third party involved in the production of any Selected Channels or who rendered services or granted rights in connection therewith, or to, or on account of, any union, guild or other collective bargaining agreement or performing rights or theatrical rights society, and should any such payment obligations result from USWC's performance of the Services provided for in this Agreement and/or the Transmission over

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USWC's Video Dial Tone Service, such payments shall be borne solely by Owner and USWC shall have no responsibility whatsoever with respect thereto. Without limiting the generality of the foregoing, Owner shall be solely responsible for the payment of any costs or expenses incurred with respect to any music or sound embodied in Selected Channels and any performance of such music and sound in connection with USWC's performance of the Services hereunder and the transmission of the Selected Channels on USWC's Video Dial Tone Service pursuant to this Agreement, including, without limitation, any so-called performance rights payments, royalties or synchronization fees.

5.5 Music Performance Rights. With respect to the non-dramatic performing rights to any musical compositions contained in any Selected Channel, Owner has or will obtain for purposes of the Trials through-to-the-viewer licenses and Owner further represents and warrants that any non-dramatic performing rights to any musical compositions contained in any Selected Channel are either (1) controlled by Owner; or (2) in the public domain; or (3) controlled by ASCAP, BMI or SESAC in which event, as between Owner and USWC, Owner shall be solely responsible for the payment of any performing rights fees which may be required.

5.6 Key Personnel. USWC has chosen Owner's proposal for participation in USWC's Trials in reliance upon the availability of key personnel associated with Owner: Jeffrey Morgan and Gerard Maglio. Accordingly, Owner agrees that Jeffrey Morgan will remain associated with Owner for the duration of the Trials, and that Owner will, at its sole expense, make Gerard Maglio available for the duration of the Trials. Owner further agrees that both Jeffrey Morgan and Gerard Maglio will directly and actively participate on an on-going basis in the conduct of Owner's participation in the Trials.

Owner further agrees that as between USWC and Cox Cable, or any other multi-channel delivery system in the Territory, Owner will offer services exclusively to USWC, and Owner will contract with Gerard Maglio to prohibit Gerard Maglio's provision of services to Cox Cable or

any other multi-channel delivery system in the Territory, for the duration of the Trials and for six months after the termination of the Trials. Owner further agrees that it will offer access to its Selected Channels only to U S WEST within the Territory and for the duration of the Trials, and that it will contract with Gerard Maglic to provide services exclusively to Owner within the Territory and for the duration of the Trials.

5.7 Owner and Jeffrey Morgan, individually, warrant that it, and Jeffrey Morgan, individually, are solvent at the time of execution of this Agreement, and that there are no known or foreseeable existing or inchoate liabilities that would render Owner or Jeffrey Morgan, individually, insolvent before the termination of the Trials. Owner and Jeffrey Morgan, individually, provide, in Exhibit F their respective current financial statements and a letter of credit from a nationally recognized banking institution or a private investor acceptable to USWC in its sole discretion in the amount of \$750,000.00. USWC agrees to review and accept or reject Owner's letter of credit within seven (7) days after Owner submits such letter of credit to USWC.

USWC represents and warrants that:

5.8 Authority. USWC is a corporation duly formed and validly existing in good standing under the laws of Colorado and has the full right, power and authority to enter into this Agreement and to carry out the terms hereof.

5.9 Limited Rights. USWC will not Transmit, or distribute or use any Selected Channel, or permit or authorize any Channel to be used except as specified in this Agreement.

5.10 Laws and Regulations. USWC will adhere to and abide by all Laws in connection with its performance under this Agreement. USWC intends to consult closely with the Federal Communications Commission ("FCC") and its staff before and during the Trials because Video Dial Tone Service is a newly authorized transmission medium. USWC intends to

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accept direction from the FCC that may fall short of official orders or pronouncements from that agency. USWC reserves the right to modify its Trials in response to such direction or suggestion. Owner agrees that such action by USWC will not be deemed a breach of these representations and warranties.

6. INDEMNIFICATION.

6.1 Owner's Indemnification. Owner agrees, at its own expense, to defend, indemnify, save and hold harmless USWC, USWC's parents and affiliates and their respective officers, directors, employees, agents and representatives (collectively, the "USWC Indemnitees") from and against any and all claims, charges, costs, causes of action, judgments, losses, damages, liability, penalty and expense (including, without limitation, reasonable attorneys' and accountants' fees and disbursements) ("Claim") which may be asserted against, sustained, suffered or incurred by any USWC Indemnatee by reason of, based upon, relating to or arising out of (i) any actual or alleged breach or default of any of the representations, warranties, covenants or agreements made by Owner hereunder or (ii) any error or omission in any of the material or information furnished by Owner in accordance with this Agreement.

Owner will indemnify and hold USWC harmless from and against any liability resulting from any taxes, penalties and interest, loss, cost, claim, liability, damage, cause of action, or expense (including reasonable attorneys' fees) relating to or arising out of Owner's failure (or alleged failure) to pay any tax or file any return as required by law or to comply with any applicable tax laws or regulations, or relating to USWC's obligations concerning taxes under this Agreement, and Owner will defend (at Owner's expense) any such action or claim brought against USWC. Owner shall, at its option and expense (including, if required by a taxing authority, payment of such tax, penalty and interest prior to final resolution of the issue) have the right to seek administrative relief, a ruling, judicial review (original or appellate level) or other appropriate review (in a manner

deemed appropriate by Owner), as to the applicability of any tax, penalty or interest, or to protest any assessment and direct any legal challenge to such assessment, but shall be liable hereunder for any such amount ultimately determined to be due. Notwithstanding the above, such indemnity is conditioned upon USWC providing Owner timely notification of any assessment or proposed assessment of any additional taxes, penalty or interest due by USWC to enable Owner the opportunity to seek administrative relief, a ruling, judicial review (original or appellate) or other appropriate review as to the applicability of any such taxes. USWC shall, when requested by Owner and at Owner's expense, cooperate or participate with Owner in such a proceeding, protest or legal challenge and if USWC's participation is not requested by Owner, USWC may participate (but not control), at its own expense, in any such proceeding, protest or legal challenge.

6.2 USWC's Indemnification. USWC agrees, at its own expense, to defend, indemnify, save and hold harmless Owner, and its officers, directors, employees, agents and representatives (collectively, "Owner Indemnitees") from and against any and all Claims, as herein defined, which may be asserted against, sustained, suffered or incurred by any Owner Indemnitee by reason of, based upon, relating to or arising out of, (i) any actual or alleged breach or default of any of the representations, warranties, covenants or agreements made by USWC hereunder or (ii) any error or omission in any of the material or information furnished by USWC in accordance with this Agreement. USWC further agrees to cooperate with Owner in the event Owner is the subject of litigation arising out of this Agreement and outside the scope of USWC's indemnification herein.

6.3 Procedure. The Indemnitee shall give prompt notice to the indemnifying party of any claim to which this indemnification applies, and the indemnifying party shall undertake, at its own cost and expense, the defense thereof. The Indemnitee may participate in any such suit at its own expense by counsel of its own choice. If the indemnifying party fails to promptly appoint competent counsel, the Indemnitee may engage its own counsel and the reasonable charges in

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connection therewith shall promptly be paid by the indemnifying party. If the Indemnatee settles or compromises any such suit, claim or proceeding, the amount thereof shall be charged to the indemnifying party, provided that the indemnifying party's approval, to be reasonably exercised, is secured.

7. INSURANCE. Errors and Omission insurance shall be provided by Owner relating to Selected Channels as follows. On or before the beginning of the Technical Trial, Owner shall obtain, at its sole cost and expense, a policy of insurance, in form and substance acceptable to USWC, from an insurer acceptable to USWC, covering any liability of Owner with respect to its operation and provision of Selected Channels. Such insurance shall have a minimum policy coverage of Two Million Dollars (\$2,000,000) for all claims in the aggregate and shall continue for a period of at least three years following the termination of the Trials. USWC shall be named as an additional insured on such insurance and Owner shall deliver a certificate of insurance and additional insured endorsement to USWC as part of Delivery in accordance with the Delivery Schedule. Such insurance shall be primary, and not contributing with any other insurance maintained by USWC, and may not be cancelable to USWC without first providing USWC with thirty (30) days written advance notice of cancellation.

8. NO REPRESENTATION RE: RECEIPTS. PERFORMANCE. USWC makes no representation, warranty, guarantee or agreement as to the number of Subscribers who may subscribe to Owner's Selected Channels, the number of Subscribers who may from time to time elect to subscribe to USWC's Video Dial Tone Service in the Territory or the amount of receipts which may be derived from the Transmission of Selected Channels over USWC's Video Dial Tone Service hereunder.

9. OWNERSHIP OF EQUIPMENT. USWC will retain ownership of all receiving equipment placed on Subscribers' premises, and retain any revenue USWC charges for installation and use of USWC's equipment.

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10. **TAXES.** Owner shall be liable for all federal, state or local sales, use, excise, gross receipts, or other taxes or tax-like fees, the incidence of which is upon Owner or Owner's customers, hereinafter referred to as "taxes," that are imposed on or with respect to Owner's products or services, which products or services are billed on Owner's behalf by USWC under this Agreement. Owner shall file all returns and reports relating to such taxes and pay or remit all such taxes to the appropriate taxing jurisdiction.

USWC will determine the practices and procedures to apply, bill and collect taxes on Owner's Product and services that are subject of this Agreement, unless notified in writing by Owner to apply, bill and collect taxes in some other manner, and only if Owner provides written legal authority for its position to apply, bill and collect taxes in such other manner. USWC will not bill taxes, the incidence of which is on Owner, and the effect of which is passed on to end user customers pursuant to contract, tariff or accepted state or local regulatory practices, unless Owner has filed with the appropriate regulatory commission or other agency tariffs or notice that shall authorize such pass-on, or unless Owner has specific contractual authority to pass on the effect of such taxes. Owner has the right to review the tax practices, procedures and supporting documentation relating to the application, billing and collection of taxes under this Agreement. USWC shall implement any tax law changes into its practices and procedures as required by applicable law, however, in no instance shall USWC be given less than sixty (60) days to implement such changes.

Owner understands and agrees that USWC is merely providing services with respect to the billing and collection of taxes under this section. For purposes of this Agreement, Owner agrees that it has a taxable nexus for purposes of the taxes described in this section, in the Territory of the Trials. USWC shall not be responsible for applying any foreign state taxes associated with a location or jurisdiction outside of the Territory.

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When notified by Owner to change its tax procedures with respect to applying and billing taxes on Owner's products or services, USWC shall, within the constraints imposed by its billing system, implement such procedures as Owner advises.

USWC shall not be entitled to retain or receive from Owner any statutory fee or share of taxes to which the person collecting such taxes is or may be entitled under applicable law.

USWC shall use the same tax exemption status with respect to Owner's customers as it uses for its own customers, and to the extent necessary or required by law, furnish to Owner copies of such information as may be in its possession regarding tax exemption of customers and services relating to Owner, but without warranty as to accuracy or completeness.

USWC shall furnish to Owner on a timely basis all information and reports reasonably necessary for Owner to prepare and file its tax returns with respect to taxes under this Agreement. Such information and reports shall be in the format normally used by USWC in the preparation of its own tax returns, unless mutually agreed to otherwise.

11. ALLOCATION OF FINANCIAL RISK. USWC and Owner acknowledge that Owner must make a substantial financial investment to acquire receiving equipment, antennae, programming for Selected Channels, and other expenses necessary for participation in the Trials. In recognition of Owner's financial risk, and to balance these risks between the parties, USWC and Owner agree as follows:

11.1 Buy-out At Termination of Trial. Either party may, at its option, trigger a "buy-out" of substantially all of Owner's assets used by Owner in the Trials at the termination of the Market Trial.

11.2 Buy-out Formula. Upon termination of the Market Trial and exercise by either party of the option described in Article 11.1, and so long as USWC has passed at least 55,000 units in Territory, the

purchase price will be \$328 times the number of "Eligible Subscribers" to Owner's services adjusted as follows:

(a) the \$328 per Eligible Subscriber will be adjusted upward two (2) percentage points (to be capped at 15 percentage points) for each \$1.00 Owner's gross billing (which amount includes any taxes applicable to Owner's Channels) per Eligible Subscriber exceeds \$26.00 per month, based on the three month average revenue per Eligible Subscriber for the three months prior to termination; or

(b) the \$328 per Eligible Subscriber will be adjusted downward 5 percentage points (to be capped at 15 percentage points) for each \$1.00 Owner's gross billing per Eligible Subscriber is less than \$26.00 per month based on the three month average revenue per Eligible Subscriber for the three months prior to termination; or

(c) In the event USWC does not pass at least 55,000 residences in the Territory, the formula in Article 11.2 shall be adjusted as follows:

The \$328 per Eligible Subscriber will be adjusted upward by the same percentage as the ratio of 55,000 residences over the number of residences actually passed. The balance of the formula will remain the same as stated in this Article 11.2(a) and (b).

11.3 Eligible Subscribers and Payment of Buy-Out Amounts. For purposes of this Article 11, "Eligible Subscribers" will be determined using the following methods:

(a) at the end of the Market Trial, USWC and Owner will identify the number of existing Subscribers who have been a Subscriber for at least ninety (90) days and are not more than thirty (30) days past due, who will be verified within thirty (30) days of the end of the Market Trial as "Eligible Subscribers";

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(b) USWC will pay Owner the amount as determined pursuant to Article 11.2 times the number of Eligible Subscribers identified pursuant to Article 11.3(a), within thirty (30) days of verification;

(c) USWC and Owner will identify each Subscriber who becomes a Subscriber during the ninety (90) days preceding the termination of the Market Trial, and who remains a Subscriber for at least ninety (90) days and is not more than thirty (30) days past due, who will be verified as "Eligible Subscribers";

(d) USWC will pay Owner the amount as determined in Article 11.2 times the number of "Eligible Subscribers" identified pursuant to Article 11.3(c) within one hundred twenty (120) days after the end of the Market Trial; provided however,

(e) in no event will an Eligible Subscriber be one who results from an extraordinary promotion by Owner, such that Owner secures the Subscriber by offering Selected Channels for more than a 50% reduction from Owner's ordinary monthly fee for more than two (2) months.

11.4 Provision of Records and Equipment. Upon receipt of USWC's payment under this Article 11, Owner will provide to USWC or its designee substantially all of its assets used to provide Selected Channels under this Agreement, including unencumbered title to receiving earth stations, antennae and other such equipment located in Omaha, Nebraska and records relating to Eligible Subscribers; assign to USWC or its designee its rights to serve Eligible Subscribers; and use best efforts to cooperate in the transfer of Eligible Subscribers to USWC or its designee.

11.5 Allocation of Purchase Price. The parties agree that the purchase price computed under Article 11.2 shall be allocated first to the equipment acquired by USWC from Owner, at a value equal to its net book value as carried on the Owner's books. Any surplus of purchase

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price over the net book value of the equipment is to be allocated to goodwill, including the subscriber lists.

Owner and USWC agree to file all reports required by §1060 of the Internal Revenue Code or otherwise on the basis of this allocation.

11.6 Upon full performance by both parties of their obligations, under this Article 11, this Agreement shall terminate and each party is released from liability to the other except as otherwise provided in this Agreement.

12. DEFAULT.

12.1 Default By Owner. For purposes of this Article, default by Owner shall mean the happening of any of the following: insolvency of Owner or Jeffrey Morgan, individually; death or incapacitation of Jeffrey Morgan or Gerard Maglio; or lack of participation by key personnel as required by Article 5.6.

In the event of default by Owner, USWC shall give Owner written notice of default and thirty (30) days to cure the default. If Owner has not cured default by the expiration of the thirty (30) day cure period, USWC shall have the right to the following remedies, without further action:

(a) in the event of insolvency of Owner, or Jeffrey Morgan, individually, USWC has the right to substitute itself or its designee to participate in the Trial in Owner's place and this Agreement shall terminate and USWC shall have no further liability to Owner, except for Settlement and Final Payment as described in Exhibit C, with such activities to be treated as if the Trial had terminated. Jeffrey Morgan, individually, shall cooperate fully to assure smooth transition of customers' records and Trial activities.

(b) in the event of death or the incapacitation of Jeffrey Morgan, and if the Trial is substantially complete such that the

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absence of Jeffrey Morgan will not materially interfere with Owner's ability to complete its participation in the Trial as reasonably determined by USWC, USWC shall have the option to waive default and to continue its performance under this Agreement;

(c) in the event of death or the incapacitation of Jeffrey Morgan at a time when the Trial is not substantially complete, or if USWC declines to waive default under Article 12.1(b), USWC has the right to substitute itself or its designee to participate in the Trials in Owner's place. Owner shall cooperate fully to assure smooth transition of customer records and Trial activities. USWC shall, upon the happening of default as described in this Article 12.1(c) compensate Owner in accordance with Article 12.2(a) and (b).

(d) in the event of death or the incapacitation of Gerard Maglio, Owner agrees to provide, at its sole expense, expertise equivalent to that of Gerard Maglio which USWC must, in its discretion, approve, which approval shall not be unreasonably withheld.

(e) in the event either Jeffrey Morgan or Gerard Maglio does not perform in accordance with Article 5.6, USWC has the right to terminate this Agreement and USWC shall have no further liability to Owner, except for Settlement and Final Payment, as described in Exhibit C, with such activities to be treated as if the Trial had terminated.

12.2 Default By USWC. For purposes of this Article, default by USWC shall mean a material shortening of the duration of the Market Trial, which is defined to mean a Market Trial using Selected Channels provided by Owner under this Agreement of less than 365 calendar days. In the event USWC defaults under this Article 12.2, Owner shall give USWC notice of default, and USWC shall have thirty (30) days to cure its default by resuming the Market Trial. If USWC has not cured its default by the expiration of the thirty (30) day cure period, USWC shall compensate Owner as follows:

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(a) If USWC defaults before the completion of three months (ninety [90] days) after the commencement of the Market trial, USWC will pay Owner in accordance with Exhibit G. For purposes of this Article 12.2(a), the amounts will be calculated based on default occurring at the end of a month. For default occurring during a month, the amount will be based on the amount payable at the end of the month prior to default, plus a pro-rated amount based on the ratio of the number of days of the month at the time of default over thirty (30), times the difference, if any, between the amount payable for the month prior to default and the month in which default occurs.

(b) if USWC defaults after the completion of three months (ninety [90] days) after the commencement of the Market Trial, USWC will compensate Owner by paying Owner \$340.00 times the number of Subscribers to Owner's Selected Channels at the time of default. For purposes of this Article 12.2(b) only, there shall be no qualification of Subscribers as "eligible."

In the event of default by USWC, and payment of the amounts in accordance with this Article 12.2, Owner shall provide to USWC or its designee all records relating to existing Subscribers, assign to USWC or its designee its rights to serve existing Subscribers, and use best efforts to cooperate in the transfer of existing Subscribers to USWC or its designee.

12.3 Buy-out/Default Election. In the event Owner exercises its default remedy in Article 12.2, it shall not exercise Article 11.

13. NOTICES. Any notices, documents, statements, or other writings (collectively, "Communications") given hereunder shall be in writing and shall be sent to the addresses given below or to such other address as Owner or USWC may designate in writing, and shall be sufficiently given if by personal or mail delivery (postage prepaid, registered mail, return receipt requested), by overnight courier, or facsimile transmission, if a business day, or, if such date is not a business day, the next business day, or for overnight courier, the next

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business day following the date of sending, shall be the date of the giving of such Communications, provided that, in the case of notice by facsimile transmission, such notice is received and telephonically confirmed. Notice shall be deemed given five (5) days from the date of such mailing.

Copies of all Communications sent to USWC hereunder shall be sent to:

U S WEST Communications, Inc.
1999 Broadway, #2800
Denver, CO 80202
Attn: Audley Webster
Telephone: 303/896-1927
Facsimile: 303/965-0125

With a copy to:

U S WEST, Inc.
1801 California, 5100
Denver, CO 80202
Attn: Sharon Devine
Telephone: 303/572-2739
Facsimile: 303/295-7049

Copies of all Communications sent to Owner hereunder shall be sent to:

Interface Communications Group, Inc.
7490 Clubhouse Road
Boulder, CO 80301
Attn: Jeffrey Morgan

Telephone: 303/530-4212
Facsimile: 303/530-1625

14. SEVERABILITY. Nothing contained in this Agreement shall be construed so as to require the commission of any act contrary to Law, and wherever there is any conflict between any provision of this Agreement and any Law, such Law shall prevail; provided, however, that subject to Article 5.10 in such event the provision of this Agreement so affected shall be curtailed and limited only to the extent necessary to permit compliance with the minimum legal requirement, and no other

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provisions of this Agreement shall be affected thereby, and all such other provisions shall continue in full force and effect.

15. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, and all such counterparts together shall constitute but one and the same instrument.

16. ASSIGNMENT. Neither party may assign, transfer or sell any of its rights under this Agreement or delegate any of its obligations hereunder without the prior written consent of the other party which shall not be unreasonably withheld; provided, however, that either party may assign this Agreement to a wholly owned subsidiary, to its parent, or to a wholly owned subsidiary of its parent on written notice to the other party; and provided that such assignee shall assume and agree to perform all of the remaining obligations to be performed hereunder.

17. SUCCESSORS. This Agreement shall be binding and shall inure to the benefit of any successors and permitted assigns of the parties.

18. NO THIRD-PARTY BENEFICIARY. The provisions of this Agreement are for the benefit only of the parties hereto, and no third party may seek to enforce, or benefit from these provisions.

19. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. NO DISCHARGE ON TERMINATION. All representations and warranties contained herein or made by USWC or Owner in connection herewith shall survive the execution and delivery of this Agreement and any independent investigation made by USWC or Owner, or on their behalf. Unless otherwise provided in this Agreement no termination of this Agreement for any reason shall relieve or discharge, or be deemed or construed as relieving or discharging, any party hereto from any duty, obligation or liability hereunder which was accrued as of the date of such termination.

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20. GOVERNING LAW.

20.1 THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF COLORADO AND THE UNITED STATES OF AMERICA APPLICABLE TO AGREEMENTS WHOLLY EXECUTED AND PERFORMED THEREIN, AND WITHOUT GIVING EFFECT TO THE PRINCIPLES OF CONFLICT OR CHOICE OF LAWS THEREOF.

20.2 This Agreement shall be subject to all applicable federal, state, and local laws, court orders, agency orders, rules and regulations. The parties shall conduct their business and their relationships under this Agreement in a manner consistent with the Modification of Final Judgment ("MFJ"), as issued in United States v. Western Electric Co., et al., Civil Action No. 82-0192 before the United States District Court for the District of Columbia ("Divestiture Court"), and all subsequent Orders issued in or related to that proceeding. To the extent that the MFJ and provisions of this Agreement are determined by a court, the Department of Justice, or the U S WEST internal MFJ Compliance Group, to be inconsistent with or contrary to the MFJ, any subsequent Order by the Divestiture Court, or any other applicable federal, state or local laws, court orders, agency orders, rules or regulations, the latter shall control.

20.3 The parties hereto agree that any and all controversies or claims arising out of or relating to this Agreement, or any alleged breach hereof, shall be resolved by arbitration as prescribed herein. A single arbitrator engaged in the practice of law, who is knowledgeable about the telecommunications industry and telecommunications law, shall conduct the arbitration under the current rules of the American Arbitration Association ("AAA"), unless otherwise provided herein. The arbitrator shall be selected in accordance with AAA procedures from a list of qualified people maintained by AAA. The arbitration shall be conducted in Denver, Colorado, and all expedited procedures prescribed under the AAA rules shall apply. There shall be no discovery other than the exchange of information which is provided to the arbitrators by the

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parties. The arbitrator shall only have authority to award compensatory damages and shall not have authority to award punitive damages, other non-compensatory damages or any other form of relief. In any arbitration held pursuant to this Article 20, the prevailing party shall be entitled to have the non-prevailing party pay the prevailing party's costs and attorneys' fees. The arbitrator's decision and award shall be final and binding, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. If any party files a judicial or administrative action asserting claims subject to arbitration, as prescribed herein, and another party successfully stays such action and/or compels arbitration of said claims, the party filing said action shall pay the other party's costs and expenses incurred in seeking such stay and/or compelling arbitration, including reasonable attorneys' fees.

21. HEADINGS. The headings in this Agreement are for convenience of reference only and shall not be used to modify or interpret any provision of this Agreement, and no provision of this Agreement shall be interpreted for or against a party because that party or its legal representative drafted that provision.

22. NO WAIVER. No course of dealing between the parties shall operate as a waiver of any of either party's rights under this Agreement. No delay or omission on the part of either party in exercising any right under this Agreement shall operate as a waiver of such right or any other right hereunder. No waiver shall be binding unless it is in writing and signed by one otherwise authorized to execute this Agreement. A waiver by either party of any of the terms or conditions of this Agreement in any instance or a waiver by either party of any breach of this Agreement shall not be deemed or construed to be a waiver of such terms or conditions for the future or a waiver of any subsequent breach hereof. All remedies, rights, undertakings, obligations and agreements contained in this Agreement shall be cumulative, and none of them shall be in limitation of any other remedy, right, undertaking, obligation or agreement of either party.

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